

**ELGIN INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
August 31, 2019**

ELGIN INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

<u>Elgin Independent School District</u> Name of School District	<u>Bastrop</u> County	<u>011-902</u> Co.-Dist. Number
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We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the fiscal year ended August 31, 2019 at a meeting of the Board of Trustees of such school district on the 16 day of December, 2019.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are): (Attach list as necessary.)

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Elgin Independent School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin Independent School District (the "District"), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, the schedule of District contributions - pensions, the schedule of the District's proportionate share of the net OPEB liability, the schedule of District contributions - OPEB, and note to the required supplementary information on pages 5 through 12, 51, 52, 53, 54, and 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements, other schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, other schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements, other schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maxwell Locke + Ritter LLP

Austin, Texas
December 12, 2019

ELGIN INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Elgin Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2019. Please read it in conjunction with the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position at August 31, 2019 was approximately \$(564) thousand.
- The fund balance for the General Fund at August 31, 2019 was approximately \$17.2 million, an increase of approximately \$137 thousand from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three parts: 1.) government-wide financial statements, 2.) fund financial statements, and 3.) notes to the basic financial statements. This report also contains required supplementary information and other financial information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to that of a private sector business.

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property taxes.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges (governmental activities). The governmental activities of the District include the education of District students and the programs necessary to support such education.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains numerous governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund as they are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison statements have also been prepared for the Food Service and Debt Service Funds and are included in the Combining and Individual Fund Statements section of this report.

Fiduciary Funds - The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to basic financial statements. Certain information required by the Texas Education Agency and the federal government regarding tax collection and grant expenditures is also presented along with required supplementary information related to the District's contributions to a cost-sharing pension and OPEB plans with the Teacher Retirement System of Texas.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This two-year comparison provides an indication of the District's financial wellbeing. Increases and decreases in net position may serve over time as a useful indicator of a government's financial position. At August 31, 2019, the District's combined liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by approximately \$564 thousand, which is an increase of approximately \$4.2 million from the prior year combined net position of approximately (\$4.7) million.

Net position at August 31, 2019 as compared to August 31, 2018, can be presented as follows:

**Elgin Independent School District's
Net Position**

	(in thousands)	
	August 31, 2019	August 31, 2018
Current assets:		
Cash and temporary investments	\$ 23,305	\$ 22,156
Property taxes, net	829	781
Due from other governments	2,016	1,079
Other assets	33	43
Total current assets	26,183	24,059
Non-current assets-		
Capital assets, net of accumulated depreciation	61,826	59,159
Total assets	\$ 88,009	\$ 83,218
Deferred outflows of resources:		
Deferred charges on refundings	\$ 1,372	\$ 1,600
Pension contributions after measurement date	980	947
Deferred outflows related to pension liability	7,682	3,157
OPEB contributions after measurement date	258	241
Deferred outflows related to OPEB liability	1,255	2
Total deferred outflows of resources	\$ 11,547	\$ 5,947
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,572	\$ 3,519
Bond interest payable	272	290
Bonds and accretion payable	4,836	4,655
Capital lease payable	512	571
Due to other governments	11	6
Unearned revenue	96	161
Total current liabilities	11,299	9,202
Long-term liabilities:		
Bonds and accretion payable	44,847	50,089
Capital lease payable	1,055	1,559
Loans payable	2,551	-
Net pension liability	15,423	9,198
Net OPEB liability	17,947	15,829
Total liabilities	\$ 93,122	\$ 85,877
Deferred inflows of resources:		
Deferred inflows related to pension liability	\$ 1,072	\$ 1,407
Deferred inflows related to OPEB liability	5,926	6,621
Total deferred inflows of resources	6,998	8,028
Net position:		
Net investment in capital assets	\$ 11,548	\$ 6,118
Restricted	2,155	2,208
Unrestricted	(14,267)	(13,066)
Total net position	\$ (564)	\$ (4,740)

The District covers 165 square miles and is located in the northwest portion of Bastrop County, with segments in eastern Travis County and southern Lee County. Property values have increased 57% in the last five years. Enrollment has increased by 8% over the last five years.

Investment in capital assets (e.g., land, construction in progress, buildings and improvements, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding is \$11.5 million. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, generally property taxes, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$2.2 million, represents resources that are subject to external restrictions on how they may be used.

Net position may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants or grant agreements. Restricted net assets are available for use in the designated areas only. Unrestricted net position may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees (the "Board").

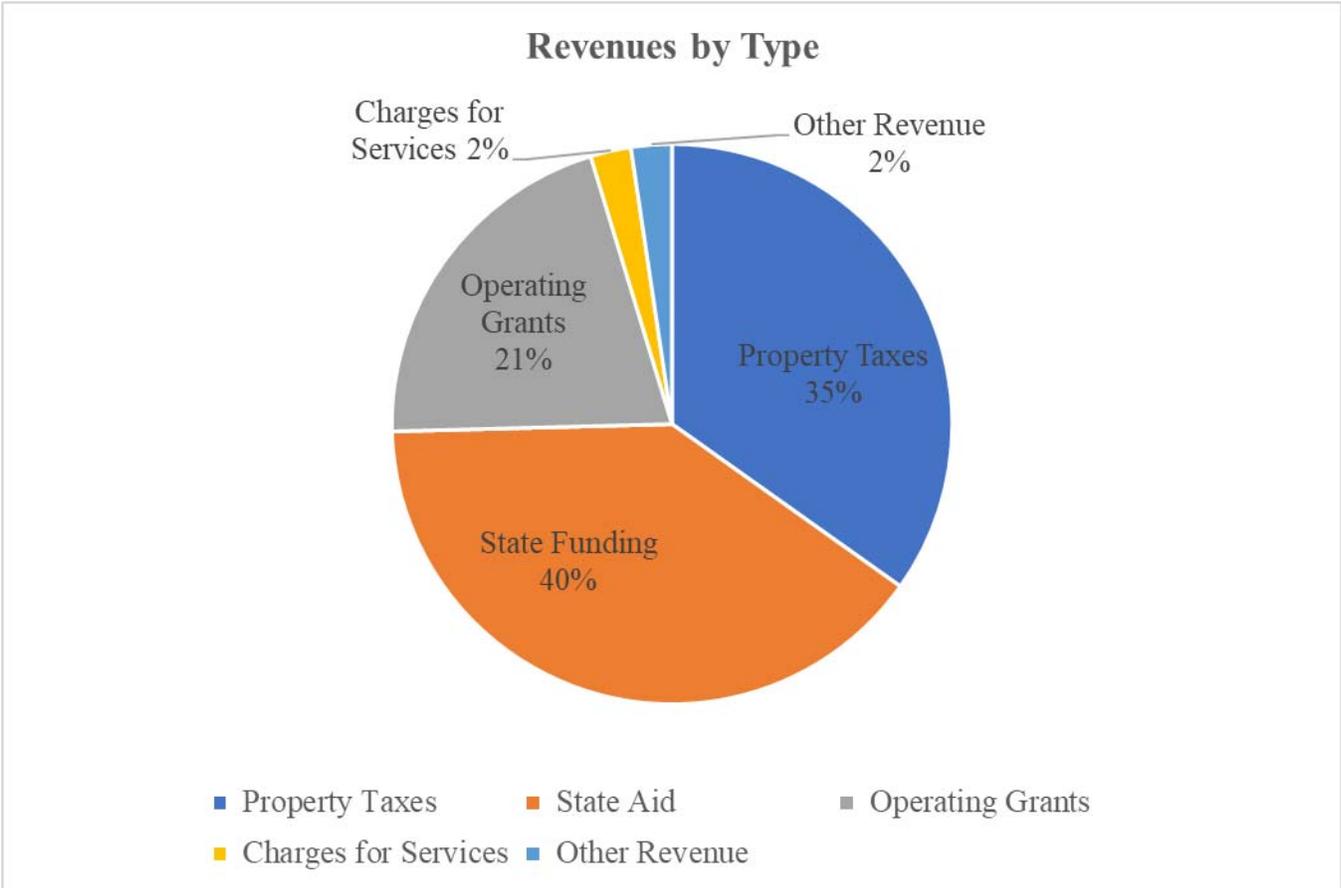
Government-wide activities

Governmental activities increased the District’s net position by \$4.2 million for the year ended August 31, 2019. Key elements of this increase are as follows:

**Elgin Independent School District’s
Changes in Net Position**

	(in thousands)	
	<u>Year Ended August 31, 2019</u>	<u>Year Ended August 31, 2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,385	\$ 1,281
Operating grants and contributions	12,256	16,528
General revenues:		
Property taxes	20,607	18,722
State aid - formula grants	23,510	23,336
Investment earnings	563	358
Miscellaneous	829	2,025
Total revenues	<u>59,150</u>	<u>62,250</u>
Expenses:		
Instruction	27,309	26,066
Instructional resources and media services	500	505
Curriculum and staff development	1,369	1,327
Instructional leadership	2,249	2,089
School leadership	3,173	2,676
Guidance, counseling and evaluation services	1,617	1,604
Social work services	240	240
Health services	355	308
Student transportation	2,098	2,140
Food services	2,987	2,796
Extracurricular activities	1,715	1,815
General administration	2,151	2,012
Facilities maintenance and operations	5,636	6,417
Security and monitoring services	314	349
Data processing services	915	779
Community services	478	366
Debt service	1,500	1,419
Facilities acquisition and construction	75	-
Payments related to shared services arrangements	21	19
Other intergovernmental charges	272	248
Total governmental activities	<u>54,974</u>	<u>53,175</u>
Change in net position	4,176	9,075
Net position beginning	<u>(4,740)</u>	<u>(13,815)</u>
Net position ending	<u>\$ (564)</u>	<u>\$ (4,740)</u>

Overall property taxes account for 35% of the District’s revenue sources while state funding represents 40%. Operating grants account for 21% of revenue sources.



FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District’s governmental funds reported a combined ending fund balance of \$19,674,932. Of this amount, \$15,594,397 constitutes unassigned fund balance available for use in the General Fund activities at the District’s discretion. The remainder of the fund balance is nonspendable, restricted or assigned to indicate that it is nonspendable due to being in the form of prepaid items or it is not available for new spending because it will be used for debt service and other obligations of the District.

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual general fund operating expenditures. As a measure of the General Fund’s liquidity, unassigned fund balance represents 34% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$464,958, all of which is restricted for the payment of debt service.

Other governmental funds, which consist of Special Revenue Funds, have total fund balances of \$2,004,173, an increase of \$141,330 since last year. Combining schedules for the Special Revenue Funds are provided in this report on pages 56 through 63.

BUDGETARY HIGHLIGHTS

The District had general fund budget amendments during the 2018-19 fiscal year that increased the budgeted expenditures by \$4,793,405. There was one major amendment for \$3.56 million for a district-wide lighting and air conditioning project. There were also amendments for \$825,000 for increased state program spending and \$640,000 for storm damage repairs.

Key differences between the final amended budget and actual amounts can be briefly summarized as follows:

- Excess budgeted instructional expenditures related to the teacher salaries, supplies, and contracted services
- Capital Projects were not complete at August 31, 2019
- Excess budgeted expenditure related to transportation and facilities maintenance operations

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities at August 31, 2019 amounts to approximately \$61.8 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and furniture and equipment.

**Elgin Independent School District
Capital Assets
(Net of accumulated depreciation)**

Land	\$ 1,485,355
Construction in progress	6,059,912
Buildings and improvements	50,789,324
Furniture and equipment	<u>3,491,126</u>
Total	<u>\$ 61,825,717</u>

Additional information on the District's capital assets can be found in Note 7 of this report.

Long-term Debt

At the end of the current fiscal year the District had total bonded debt outstanding of approximately \$49.7 million. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorem tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor's Rating Services and Moody's Investors Services have provided bond ratings of A+ and A1, respectively, to the District's outstanding debt obligations.

Additional information on the District's long-term debt can be found in Note 9 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Certified net taxable property value increased for tax year 2019-2020 to \$1.5 billion, an increase of 10.4%
- The General Fund budget for operating expenditures \$46,105, 071 for 2019-2020, an increase of 9.9%.
- The District is anticipating an increase in enrollment of 2% for 2019-2020.

These indicators were taken into account when adopting the General Fund operating budget for 2019-2020. In the original approved budget, estimated revenues for 2019-2020 are approximately \$47,566,808, which are \$1,461,737 greater than budgeted expenditures excluding expenditures for authorized construction.

The 86th Legislative Session brought significant changes to the Texas school finance system including some increased funding and significant property tax rate compression. As a result of the session, the District adopted an operating tax rate of \$1.0683 and a debt service rate of \$.45 for the 2019-2020 fiscal year. This results in a reduction of 2.17 cents per \$100 valuation.

The District provided raises for all employees on the teacher salary schedule that ranged from \$3,000 to \$5,500 depending on years of service. For all other employees, all pay scales were increased by 2% and then an average of 4% of the new mid-point was applied for raises. The District also increased the District health insurance contribution to \$375 per month per employee, and increase of \$100 per month per employee.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department at Elgin Independent School District: (512) 281-3434.

BASIC FINANCIAL STATEMENTS

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Net Position
August 31, 2019

	Governmental Activities
ASSETS:	
Cash and temporary investments	\$ 23,305,156
Receivables:	
Property taxes - delinquent	1,439,646
Allowance for uncollectible taxes	(610,409)
Due from other governments	2,015,658
Other receivables	5,156
Inventory	17,782
Prepaid items	10,067
Capital assets (net of accumulated depreciation):	
Land	1,485,355
Construction in progress	6,059,912
Buildings and improvements	50,789,324
Furniture and equipment	3,491,126
Total assets	88,008,773
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charges on bond refundings	1,372,277
Pension contributions after measurement date	980,350
Deferred outflows related to pension liability	7,681,916
OPEB contributions after measurement date	257,557
Deferred outflows related to OPEB liability	1,255,080
Total deferred outflows of resources	11,547,180
LIABILITIES:	
Current liabilities:	
Accounts payable	3,444,777
Payroll deductions and withholdings	259,034
Accrued wages payable	1,867,809
Bond interest payable	271,561
Bonds payable	4,058,968
Accretion payable	776,621
Capital lease payable	512,183
Due to other governments	11,442
Unearned revenue	95,825
Noncurrent liabilities:	
Bonds payable	44,059,254
Accretion payable	788,124
Capital lease payable	1,055,107
Loans payable	2,551,141
Net pension liability	15,422,514
Net OPEB liability	17,947,152
Total liabilities	93,121,512
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows related to pension liability	1,071,730
Deferred inflows related to OPEB liability	5,926,239
Total deferred outflows of resources	6,997,969
NET POSITION:	
Net investment in capital assets	11,548,329
Restricted for:	
Debt service	392,084
Food service	1,763,392
Unrestricted	(14,267,333)
Total net position	\$ (563,528)

The notes to the financial statements are an integral part of this statement.

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Activities
Year Ended August 31, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction	\$ 27,309,043	284,874	5,796,345	(21,227,824)
Instructional resources and media services	500,168	5,978	31,938	(462,252)
Curriculum and staff development	1,368,573	166,751	399,706	(802,116)
Instructional leadership	2,248,873	-	533,997	(1,714,876)
School leadership	3,172,685	88,436	406,152	(2,678,097)
Guidance, counseling, and evaluation services	1,616,856	67,401	270,050	(1,279,405)
Social work services	239,991	100	52,594	(187,297)
Health services	355,328	-	24,371	(330,957)
Student transportation	2,097,526	-	217,588	(1,879,938)
Food services	2,986,765	402,067	2,774,741	190,043
Extracurricular activities	1,715,370	346,821	61,418	(1,307,131)
General administration	2,151,488	22,153	112,741	(2,016,594)
Facilities maintenance and operations	5,635,934	-	261,546	(5,374,388)
Security and monitoring services	314,460	-	9,614	(304,846)
Data processing services	914,774	-	45,422	(869,352)
Community services	478,287	-	85,069	(393,218)
Debt service	1,499,873	-	1,079,655	(420,218)
Facilities acquisition and construction	74,500	-	93,600	19,100
Payments related to shared services arrangements	20,989	-	-	(20,989)
Other intergovernmental charges	272,381	-	-	(272,381)
Total governmental activities	<u>\$ 54,973,864</u>	<u>1,384,581</u>	<u>12,256,547</u>	<u>(41,332,736)</u>
General revenues:				
Property taxes levied for general purposes				\$ 15,637,964
Property taxes levied for debt service				4,969,072
State aid-formula grants				23,510,244
Investment earnings				562,989
Miscellaneous				829,025
Total general revenues				<u>45,509,294</u>
Change in net position				4,176,558
Net position - beginning				<u>(4,740,086)</u>
Net position - ending				<u>\$ (563,528)</u>

The notes to the financial statements are an integral part of this statement.

ELGIN INDEPENDENT SCHOOL DISTRICT
Balance Sheet
Governmental Funds
August 31, 2019

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and temporary investments	\$ 20,835,585	389,016	2,080,555	23,305,156
Receivables:				
Property taxes - delinquent	1,094,704	344,942	-	1,439,646
Allowance for uncollectible taxes	(464,154)	(146,255)	-	(610,409)
Due from other governments	1,509,867	35,942	469,849	2,015,658
Due from other funds	154,488	40,000	-	194,488
Other receivables	2,685	-	2,471	5,156
Inventory	-	-	17,782	17,782
Prepaid items	10,067	-	-	10,067
Total assets	<u>\$ 23,143,242</u>	<u>663,645</u>	<u>2,570,657</u>	<u>26,377,544</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 3,268,080	-	176,697	3,444,777
Payroll deductions and withholdings	259,034	-	-	259,034
Accrued wages payable	1,733,170	-	134,639	1,867,809
Due to other funds	40,000	-	154,488	194,488
Due to other governments	6,607	-	4,835	11,442
Unearned revenue	-	-	95,825	95,825
Total liabilities	<u>5,306,891</u>	<u>-</u>	<u>566,484</u>	<u>5,873,375</u>
Deferred inflows of resources-				
Deferred revenue - property taxes	<u>630,550</u>	<u>198,687</u>	<u>-</u>	<u>829,237</u>
Fund balances:				
Nonspendable-				
Prepaid items	10,067	-	-	10,067
Restricted for:				
Retirement of long-term debt	-	464,958	-	464,958
Food service	-	-	1,763,392	1,763,392
Assigned to:				
Authorized construction	1,183,074	-	-	1,183,074
Subsequent year's budget deficit	418,263	-	-	418,263
Campus activities	-	-	240,781	240,781
Unassigned	<u>15,594,397</u>	<u>-</u>	<u>-</u>	<u>15,594,397</u>
Total fund balances	<u>17,205,801</u>	<u>464,958</u>	<u>2,004,173</u>	<u>19,674,932</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 23,143,242</u>	<u>663,645</u>	<u>2,570,657</u>	

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 61,825,717
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	829,237
The following liabilities and deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, including premiums	(48,118,222)
Less: Deferred charges on refundings	1,372,277
Accretion payable	(1,564,745)
Bond interest payable	(271,561)
Capital lease payable	(1,567,290)
Loans payable	(2,551,141)
Net pension liability	(15,422,514)
Pension contributions after measurement date	980,350
Deferred outflows related to pension liability	7,681,916
Deferred inflows related to pension liability	(1,071,730)
Net OPEB liability	(17,947,152)
OPEB contributions after measurement date	257,557
Deferred outflows related to OPEB liability	1,255,080
Deferred inflows related to OPEB liability	(5,926,239)
Net position of governmental activities	<u>\$ (563,528)</u>

The notes to the financial statements are an integral part of this statement.

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended August 31, 2019

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Local and intermediate sources	\$ 17,267,463	5,001,658	1,066,513	23,335,634
State program revenues	25,276,339	1,079,655	709,193	27,065,187
Federal program revenues	1,173,550	-	6,317,781	7,491,331
Total revenues	43,717,352	6,081,313	8,093,487	57,892,152
EXPENDITURES:				
Current:				
Instruction	21,161,588	-	2,859,899	24,021,487
Instructional resources and media services	426,071	-	5,978	432,049
Curriculum and staff development	738,521	-	521,701	1,260,222
Instructional leadership	1,580,040	-	417,335	1,997,375
School leadership	2,471,716	-	273,549	2,745,265
Guidance, counseling, and evaluation services	1,180,383	-	234,504	1,414,887
Social work services	172,967	-	37,016	209,983
Health services	304,451	-	3,668	308,119
Student transportation	1,895,840	-	65,949	1,961,789
Food services	-	-	3,082,758	3,082,758
Extracurricular activities	1,306,212	-	256,086	1,562,298
General administration	1,876,632	-	89	1,876,721
Facilities maintenance and operations	4,969,248	-	43,006	5,012,254
Security and monitoring services	279,907	-	-	279,907
Data processing services	825,366	-	-	825,366
Community services	362,403	-	57,019	419,422
Debt service	637,894	6,276,850	-	6,914,744
Facilities acquisition and construction	5,649,013	-	93,600	5,742,613
Payments related to shared services arrangements	20,989	-	-	20,989
Other intergovernmental charges	272,381	-	-	272,381
Total expenditures	46,131,622	6,276,850	7,952,157	60,360,629
Excess (deficiency) of revenues over (under) expenditures	(2,414,270)	(195,537)	141,330	(2,468,477)
OTHER FINANCING SOURCES-				
Proceeds from loan agreement	2,551,141	-	-	2,551,141
Total other financing sources	2,551,141	-	-	2,551,141
Net change in fund balances	136,871	(195,537)	141,330	82,664
Fund balances - beginning	17,068,930	660,495	1,862,843	19,592,268
Fund balances - ending	\$ 17,205,801	464,958	2,004,173	19,674,932

The notes to the financial statements are an integral part of this statement.

ELGIN INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended August 31, 2019

Net change in fund balances-total governmental funds	\$	82,664
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay		6,685,099
Disposal of capital assets		(83,296)
Depreciation expense		(3,935,018)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred tax revenue		48,112
Bond, loan, and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Repayment of bond, loan, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Repayment of bond principal		4,655,000
Proceeds from loan agreement		(2,551,141)
Repayment of capital lease principal		563,341
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accretion payable		(153,452)
Change in bond interest payable		18,318
Amortization of deferred charges on bond refundings		(227,503)
Amortization of bond premiums		559,167
Pension contributions made during the measurement year		943,900
Change in pension contributions made after the measurement date		33,913
Proportionate share of collective pension expense		(7,168,047)
Adjustment for ending deferred inflows and outflows related to net pension liability		4,859,298
OPEB contributions made during the measurement year		247,847
Change in OPEB contributions made after the measurement date		16,462
Proportionate share of collective OPEB expense		(2,365,838)
Adjustment for ending deferred inflows and outflows related to net OPEB liability		1,947,732
Change in net position of governmental activities	\$	<u><u>4,176,558</u></u>

The notes to the financial statements are an integral part of this statement.

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended August 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 15,991,719	16,639,010	17,267,463	628,453
State program revenues	24,532,800	25,357,800	25,276,339	(81,461)
Federal program revenues	720,400	1,130,400	1,173,550	43,150
Total revenues	<u>41,244,919</u>	<u>43,127,210</u>	<u>43,717,352</u>	<u>590,142</u>
EXPENDITURES:				
Current:				
Instruction	21,336,233	21,457,771	21,161,588	296,183
Instructional resources and media services	451,030	408,547	426,071	(17,524)
Curriculum and staff development	861,460	791,262	738,521	52,741
Instructional leadership	1,485,763	1,598,513	1,580,040	18,473
School leadership	2,247,052	2,471,842	2,471,716	126
Guidance, counseling, and evaluation services	1,241,684	1,212,881	1,180,383	32,498
Social work services	202,976	173,264	172,967	297
Health services	279,647	316,799	304,451	12,348
Student transportation	2,000,360	2,092,128	1,895,840	196,288
Extracurricular activities	1,352,665	1,366,154	1,306,212	59,942
General administration	1,776,018	1,977,270	1,876,632	100,638
Facilities maintenance and operations	5,003,272	5,297,891	4,969,248	328,643
Security and monitoring services	331,390	325,500	279,907	45,593
Data processing services	853,692	855,222	825,366	29,856
Community services	301,891	367,438	362,403	5,035
Debt service	862,433	752,117	637,894	114,223
Facilities acquisition and construction	3,307,412	7,213,784	5,649,013	1,564,771
Payments related to shared services arrangements	30,000	30,000	20,989	9,011
Other intergovernmental charges	262,395	272,395	272,381	14
Total expenditures	<u>44,187,373</u>	<u>48,980,778</u>	<u>46,131,622</u>	<u>2,849,156</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,942,454)</u>	<u>(5,853,568)</u>	<u>(2,414,270)</u>	<u>3,439,298</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	3,076,896	2,551,141	(525,755)
Transfers in	-	500,000	-	(500,000)
Transfers out	-	(500,000)	-	500,000
Total other financing sources, net	<u>-</u>	<u>3,576,896</u>	<u>2,551,141</u>	<u>(1,025,755)</u>
Net change in fund balance	<u>(2,942,454)</u>	<u>(2,276,672)</u>	<u>136,871</u>	<u>2,413,543</u>
Fund balance - beginning	<u>17,068,930</u>	<u>17,068,930</u>	<u>17,068,930</u>	<u>-</u>
Fund balance - ending	<u>\$ 14,126,476</u>	<u>14,792,258</u>	<u>17,205,801</u>	<u>2,413,543</u>

The notes to the financial statements are an integral part of this statement.

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Fiduciary Net Position
Agency Fund
August 31, 2019

	<u>Agency Fund</u>
ASSETS-	
Cash and temporary investments	\$ 27,525
Total assets	<u>\$ 27,525</u>
LIABILITIES:	
Accounts payable	\$ 234
Due to student groups	<u>27,291</u>
Total liabilities	<u>\$ 27,525</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE
BASIC FINANCIAL STATEMENTS**

ELGIN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions which are related to the Elgin Independent School District (the “District”) and which are controlled by or dependent upon the District’s governing body, the Board of Trustees (the “Board”). The Board, a seven-member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”), since Board members are elected by the public and have decision making authority. There are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency’s (“TEA”) Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end that are not collected within sixty days of year end are reported as deferred inflows of resources.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

The Agency Fund is an unbudgeted fund and is used to account for activities of student groups and other types of activities requiring clearing accounts. This fund has no equity, assets are equal to liabilities, and it does not include revenues and expenditures for general operations of the District.

Budgetary Information

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by August 20th and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was amended by the Board as needed throughout the year. The instructional resources and media services function in the General Fund exceeded budgeted amounts by \$17,524 for the year ended August 31, 2019.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31st, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. There were no material outstanding encumbrances at August 31, 2019 that were provided for in the subsequent year's budget.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Investments - Temporary investments throughout the year consisted of investments in external local government investment pools. External local government investment pools are recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Inventories - Inventories consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory is recorded at cost using the FIFO method. Federal food commodities inventory is stated at fair value and at year-end is recorded as unearned revenue. Revenue is recognized at fair value when commodities are distributed to schools.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

Capital Assets - Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost if purchased or at acquisition value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - 10 to 30 years, furniture and equipment - 5 to 15 years.

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Accumulated Sick Leave Liability - The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the State minimum. The District's policy is not to provide reimbursement upon termination of employment with the District. Accordingly, no liability for accrued compensated absences has been established by the District.

Pensions - The fiduciary net position of the Teacher Retirement System of Texas ("TRS") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Retirement Benefits - The fiduciary net position of the TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other post-employment benefits ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Fund Equity/Net Position - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 8, Note 12 and Note 13 for additional information on deferred inflows and outflows of resources.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended August 31, 2021.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The objective of GASB Statement No. 84 is to improve accounting and financial reporting for fiduciary activities by establishing criteria for identifying fiduciary activities, requiring that all fiduciary funds present a statement of fiduciary net position and a statement of changes in fiduciary net position, except for business-types activities that normally expect to hold custodial assets for three months or less, and providing descriptions of the four types of fiduciary funds that should be reported, if applicable. GASB Statement No. 84 also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Management is evaluating the effects that the full implementation of GASB Statement No. 84 will have on its financial statements for the year ended August 31, 2020.

2. CASH AND TEMPORARY INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Public funds investment pools

The District’s funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District’s agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At August 31, 2019, the carrying amount of the District’s deposits was \$6,761,856 and the bank balance was \$7,104,409.

The District’s deposits with financial institutions at August 31, 2019 and during the year ended August 31, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name. The deposits were collateralized in accordance with Texas law and TEA maintains copies of all safekeeping receipts in the name of the District.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- Name of depository bank: Prosperity Bank
- Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$11,816,315.
- Largest cash, savings and time deposit combined account balance amounted to \$7,104,409 and occurred during the month of August 2019.
- Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at August 31, 2019 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor’s Rating
Local governmental investment pools:			
Texas TERM	\$ 9,000,000	41	AAAf
TexasDAILY	1,487,047	1	AAAm
Lone Star	<u>6,083,779</u>	1	AAA
Total	<u>\$ 16,570,826</u>		

The District had investments in three external local government investment pools at August 31, 2019: Texas TERM Local Investment Pool (“Texas TERM”), TexasDAILY Local Investment Pool (“TexasDAILY”), and Lone Star Investment Pool (“Lone Star”). Although Lone Star is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7-of the Investment Company Act of 1940. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Texas TERM is organized in conformity with the Public Funds Investment Act. Texas TERM provides for a fixed rate, fixed-term investment for a period of 60 days to one year. TexasDAILY is a portfolio of Texas TERM and provides daily access to funds. Texas TERM is overseen by an advisory board composed of participants and non-participant members elected by the participant shareholders of Texas TERM. The advisory board is responsible for the overall management of Texas TERM, including formulation and implementation of its investment and operating policies. In addition, the advisory board members select and oversee the activities of the investment advisor and custodian of Texas TERM and monitor investment performance and the method of valuing the shares. Texas TERM is a floating net assets value fund, which is a non-2a7 fund. It is a fundamental objective of Texas TERM to assure the return of principal and interest at the date planned for redemption of shares; however the net asset value of shares may fluctuate prior to the planned redemption date.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. RBC Dain Rauscher, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the external local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Credit Risk - At August 31, 2019, investments were included in external local government investment pools in compliance with the District's investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At August 31, 2019, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. Government. At August 31, 2019, all of the District's investments were in external local government investment pools.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires that maturities for internally created pool fund groups will not exceed the dollar weighted average maturity of 180 days. Maturities of any other individual investment owned by the District should not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the external local government investment pools (excluding Texas TERM) to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At August 31, 2019, investments were included in external local government investment pools which have a weighted average maturity of 41 days, 1 day and 1 day for Texas TERM, TexasDAILY and Lone Star, respectively.

3. APPRAISAL DISTRICT

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the “Code”) which established a county-wide appraisal district and an appraisal review board in each county in the State. The Bastrop Central Appraisal District (the “Appraisal District”) is responsible for the recording and appraisal of all property in the District. Under the Code, the District’s Board sets the tax rates on property and the Appraisal District’s tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District’s fiscal year. The assessed value at January 1, 2018, upon which the October 2018 levy was based, was \$1,400,853,381. The District levied taxes based on a combined tax rate of \$1.54 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. Each year, the TEA notifies school districts in which property wealth per Weighted Average Daily Attendance (“WADA”) meets or exceeds \$319,500. However, the final determination of whether a school district will be required to make recapture payments is based on the district’s tax effort and the extent to which the district’s wealth per WADA exceeds the first equalized wealth level of \$514,000. The District was not above the equalized wealth level for the 2018-2019 fiscal year.

4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below at August 31, 2019.

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 793,152	30,845	-	823,997
Federal and state grants	-	-	469,849	469,849
Other	716,715	5,097	-	721,812
Total	<u>\$ 1,509,867</u>	<u>35,942</u>	<u>469,849</u>	<u>2,015,658</u>

5. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances at August 31, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 154,488
Debt Service Fund	General Fund	40,000

6. UNEARNED REVENUE

At August 31, 2019, unearned revenue in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ -	-	95,825	95,825

7. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,485,355	-	-	1,485,355
Construction in progress	501,871	5,605,823	(47,782)	6,059,912
Total capital assets, not being depreciated	<u>1,987,226</u>	<u>5,605,823</u>	<u>(47,782)</u>	<u>7,545,267</u>
Capital assets, being depreciated:				
Buildings and improvements	98,862,353	184,573	(36,820)	99,010,106
Furniture and equipment	7,650,199	942,485	(197,566)	8,395,118
Total capital assets, being depreciated	<u>106,512,552</u>	<u>1,127,058</u>	<u>(234,386)</u>	<u>107,405,224</u>
Less accumulated depreciation for:				
Buildings and improvements	(44,924,063)	(3,298,266)	1,547	(48,220,782)
Furniture and equipment	(4,416,783)	(636,752)	149,543	(4,903,992)
Total accumulated depreciation	<u>(49,340,846)</u>	<u>(3,935,018)</u>	<u>151,090</u>	<u>(53,124,774)</u>
Total capital assets, being depreciated, net	<u>57,171,706</u>	<u>(2,807,960)</u>	<u>(83,296)</u>	<u>54,280,450</u>
Governmental activities capital assets, net	<u>\$ 59,158,932</u>	<u>2,797,863</u>	<u>(131,078)</u>	<u>61,825,717</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:

Instruction	\$ 1,953,160
Instructional resources and media services	39,325
Curriculum and staff development	68,164
Instructional leadership	145,834
School leadership	228,133
Guidance, counseling, and evaluation services	108,946
Social work services	15,964
Health services	28,100
Student transportation	174,981
Food services	284,531
Extracurricular activities	120,560
General administration	173,208
Facilities maintenance and operations	458,649
Security and monitoring services	25,835
Data processing services	76,179
Community services	33,449
Total depreciation expense - governmental activities	<u>\$ 3,935,018</u>

8. DEFERRED CHARGES ON BOND REFUNDINGS

The following is a summary of changes in deferred charges on bond refundings for the year ended August 31, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Deferred charges on bond refundings	<u>\$ 1,599,780</u>	<u>-</u>	<u>(227,503)</u>	<u>1,372,277</u>

9. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended August 31, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General obligation bonds	\$ 48,549,984	-	(4,655,000)	43,894,984
Premium on bonds	4,782,405	-	(559,167)	4,223,238
Capital lease payable	2,130,631	-	(563,341)	1,567,290
Loans payable	-	2,551,141	-	2,551,141
Accretion payable	1,411,293	153,452	-	1,564,745
Total	<u>\$ 56,874,313</u>	<u>2,704,593</u>	<u>(5,777,508)</u>	<u>53,801,398</u>

Bonded debt consists of the following at August 31, 2019:

General obligation bonds:						
Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 8-31-19	Due Within One Year
2006	11-15-06	9,329,984	2021	4.00 - 4.125%	4,984	3,968
2012	6-1-12	8,860,000	2028	2.50 - 3.50%	5,085,000	550,000
2013	5-16-13	8,430,000	2028	2.00 - 3.50%	7,125,000	90,000
2014	6-5-14	8,720,000	2026	2.00 - 4.00%	8,105,000	165,000
2015	9-29-15	8,220,000	2025	2.00 - 4.00%	5,725,000	880,000
2016A	10-13-16	7,785,000	2029	2.00 - 4.00%	7,475,000	100,000
2016B	12-29-16	8,135,000	2024	4.00%	4,840,000	1,750,000
2017	5-4-17	6,040,000	2028	3.00 - 4.00%	5,535,000	520,000
Total		<u>\$ 65,519,984</u>			<u>\$ 43,894,984</u>	<u>\$ 4,058,968</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District's debt service rate for the current year is \$0.37.

The annual principal installments for each of the outstanding issues vary each year. At August 31, 2019, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended August 31,	Principal	Interest	Total
2020	\$ 4,058,968	2,271,558	6,330,526
2021	4,536,016	1,641,810	6,177,826
2022	4,185,000	2,043,701	6,228,701
2023	5,130,000	1,100,176	6,230,176
2024	5,205,000	915,775	6,120,775
2025 - 2029	20,780,000	1,927,328	22,707,328
Total	<u>\$ 43,894,984</u>	<u>9,900,348</u>	<u>53,795,332</u>

The outstanding Series 2006 and Series 2014 Bonds include both Serial and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

As of August 31, 2019, there were no general obligation bonds authorized by voters of the District, but unissued.

During the year ended August 31, 2019, the District entered into a loan agreement with the Texas State Energy Conservation Office (“SECO”). SECO will advance a maximum of \$3,076,896 to the District. The rate of interest on the loan is 2%. There is no repayment schedule or maturity date until the completion of the related project. As of August 31, 2019, the outstanding balance on the loan was \$2,551,141.

The District financed the purchase of copiers through a capital lease agreement (the “Copier Agreement”) with a finance company. The purchase price of the copiers was \$515,275 which equates to the capital lease principal amount. Under the terms of the Copier Agreement, principal and interest payments of \$9,415 are due monthly beginning on July 15, 2017 through June 15, 2022. At the end of the lease term, the District has a bargain purchase option allowing the District to purchase all copiers for one dollar. Per the Copier Agreement, the District has the option of purchasing the copiers. The effective interest rate on the lease is 3.49%.

The District financed the purchase of maintenance vehicles through a capital lease agreement (the “Vehicle Agreement”) with a finance company. The purchase price of the vehicles was \$136,010 which equates to the capital lease principal amount. Under the terms of the Vehicle Agreement, principal and interest payments of \$2,442 are due monthly beginning on June 26, 2017 through May 26, 2022. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the vehicles for no consideration. The effective interest rate on the lease is 2.98%.

The District financed the purchase of school buses through a capital lease agreement (the “Bus Agreement”) with a finance company. The purchase price of the buses was \$991,570 which equates to the capital lease principal amount. Under the terms of the Bus Agreement, principal and interest payments of \$207,342 are due annually beginning on September 20, 2017 through September 20, 2021. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the buses for no consideration. The effective interest rate on the lease is 2.50%.

The District financed the purchase of Chromebook laptops through a capital lease agreement (the “Laptop Agreement”) with a finance company. The purchase price of the laptops was \$958,955 which equates to the capital lease principal amount. Under the terms of the Chromebook Agreement, principal and interest payments of \$208,400 are due annually beginning on August 1, 2018 through August 1, 2022. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the server for no consideration. The effective interest rate on the lease is 7.97%.

Capital lease payment requirements are as follows:

Year Ended August 31,	Principal	Interest	Total
2020	\$ 512,183	48,087	560,270
2021	529,517	30,753	560,270
2022	525,590	8,524	534,114
Total	\$ 1,567,290	87,364	1,654,654

10. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page 15.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

11. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2019, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 15,378,241	4,854,103	-	20,232,344
Food service	-	-	402,067	402,067
Investment income	485,519	69,403	8,067	562,989
Penalties, interest, and other tax related income	248,428	78,152	-	326,580
Tuition and fees from patrons	252,460	-	-	252,460
Co-curricular student activities	63,753	-	283,068	346,821
Other	839,062	-	373,311	1,212,373
Total	<u>\$ 17,267,463</u>	<u>5,001,658</u>	<u>1,066,513</u>	<u>23,335,634</u>

12. DEFINED BENEFIT PENSION PLANS

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by TRS and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by TRS.

Pension Plan Fiduciary Net Position

Detailed information about TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, in which the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost-of-living adjustments ("COLAs"). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act ("GAA") affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	2018	2019
Contribution Rates:		
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2019 District Contributions		\$ 980,350
FY 2019 Member Contributions		\$ 2,214,017
FY 2019 NECE On-behalf Contributions		\$ 1,413,424

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the GAA.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

	August 31, 2017 rolled forward to August 31, 2018
Valuation Date	Individual Entry Age Normal
Actuarial Cost Method	Market Value
Asset Valuation Method	6.907%
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	2.30%
Inflation	3.05% to 9.05%
Salary Increases including inflation	3.00%
Payroll Growth Rate	None
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three-year period ending August 31, 2017 and adopted in July 2018.

Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2018 are summarized below:

Asset Class:	Target Allocation (1)	Long-Term Expected Arithmetic Real Rate of Return (2)	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	0%	0%
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	(0.3%)	0%
Real Return			
Global Inflation-Linked Bonds	3%	0.7%	0%
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%
Commodities	0%	0%	0%
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag (3)			(0.8%)
Total	100%		7.2%

(1) Target allocations are based on the FY 2016 policy model

(2) Capital market assumptions come from Aon Hewitt (2017 Q4)

(3) The volatility drag results from the conversion between arithmetic and geometric mean returns

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District’s proportionate share of the net pension liability	\$ 23,276,271	\$ 15,422,514	\$ 9,064,431

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2019, the District reported a liability of \$15,422,514 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District’s Proportionate share of the collective net pension liability	\$ 15,422,514
State’s proportionate share that is associated with the District	<u>20,804,609</u>
Total	<u>\$ 36,227,123</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The employer’s proportion of the net pension liability was based on the employer’s contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer’s proportion of the collective net pension liability was 0.0280% which was a decrease of 0.0008% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2019, the District recognized pension expense of \$2,311,286 and revenue of \$2,059,102 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 96,131	\$ 378,408
Changes in actuarial assumptions	5,560,559	173,768
Difference between projected and actual investment earnings	-	292,631
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,025,226	226,923
Contributions paid to TRS subsequent to the measurement date	980,350	-
Total	<u>\$ 8,662,266</u>	<u>\$ 1,071,730</u>

The \$980,350 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2020. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Pension Expense Amount</u>
Year ended August 31:	
2020	\$ 1,770,092
2021	1,154,270
2022	983,014
2023	1,115,206
2024	1,003,882
Thereafter	583,722

13. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"). It is a multiple-employer, cost-sharing OPEB plan that has a special funding situation. The plan is administered through a trust by the TRS Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detailed information about TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

	<u>Medicare</u>	<u>Non-Medicare</u>
TRC-Care Monthly for Retirees		
January 1, 2018 through December 31, 2018:		
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
<i>*or surviving spouse</i>		

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the State, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the GAA. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2018</u>	<u>2019</u>
Contribution Rates:		
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
FY 2019 District Contributions		\$ 257,557
FY 2019 Member Contributions		\$ 186,897
FY 2019 NECE On-behalf Contributions		\$ 259,821

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRC-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriation to fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	4.50% to 107.74%
Election Rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

Assumption changes include an updated health care trend assumption to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020, revised demographic and economic assumptions based on the TRS experience study for the period ending August 31, 2017, and a discount rate change from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018.

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2018.

See Note 12 for the best estimate of geometric real rates of return for each major asset class included in the TRS target asset allocation as of August 31, 2018.

Sensitivity Analysis

Discount Rate - The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the 2018 Net OPEB Liability.

	<u>1% Decrease in Discount Rate (2.69%)</u>	<u>Discount Rate (3.69%)</u>	<u>1% Increase in Discount Rate (4.69%)</u>
District’s proportionate share of the net OPEB liability	\$ 21,363,277	\$ 17,947,152	\$ 15,244,777

Healthcare Cost Trend Rates - The following schedule shows the impact of the Net OPEB Liability if the healthcare cost trend rates used were 1% less than and 1% greater than the healthcare cost trend rates that were used in measuring the 2018 Net OPEB Liability.

	<u>1% Decrease in Healthcare Cost Trend Rates (7.5%)</u>	<u>Current Healthcare Cost Trend Rates (8.5%)</u>	<u>1% Increase in Healthcare Cost Trend Rates (9.5%)</u>
District’s proportionate share of the net OPEB liability	\$ 14,905,402	\$ 17,947,152	\$ 21,953,203

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At August 31, 2019, the District reported a liability of \$17,947,152 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 17,947,152
State's proportionate share that is associated with the District	<u>22,664,976</u>
Total	<u>\$ 40,612,128</u>

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net OPEB liability was 0.0359% which was a decrease of 0.0005% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section B. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

For the year ended August 31, 2019, the District recognized OPEB expense of \$411,239 and revenue of \$824,416 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 952,389	\$ 283,232
Changes in actuarial assumptions	299,489	5,392,089
Difference between projected and actual investment earnings	3,139	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	63	250,918
Contributions paid to TRS subsequent to the measurement date	<u>257,557</u>	<u>-</u>
Total	<u>\$ 1,512,637</u>	<u>\$ 5,926,239</u>

The \$257,557 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2020. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPEB Expense Amount</u>
Year ended August 31:	
2020	\$ (737,562)
2021	(737,562)
2022	(737,562)
2023	(738,156)
2024	(738,495)
Thereafter	(981,824)

14. HEALTH CARE COVERAGE

During the year ended August 31, 2019, employees of the District were covered by a health insurance plan (the "Health Plan"). The District contributed \$275 per month per employee to the Health Plan, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All contributions were paid to a licensed insurer. The Health Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to TRS on behalf of the District. For the year ended August 31, 2019, reimbursements of \$107,352 were received by TRS and allocated to the District.

15. RISK MANAGEMENT

The District's risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers compensation and other miscellaneous bonds. During the year ended August 31, 2019, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

The District participates in a public entity risk pool for its workers compensation insurance (the Worker's Compensation Plan"), administered by the Texas Association of School Boards Worker's Compensation Self-Insurance Fund. The District pays overhead expenses annually and actual claims liabilities up to a maximum amount determined annually. Claims in excess of the District's guaranteed annual cap are paid by the pool. The Worker's Compensation Plan is documented by contractual agreement. The contract between the District, the licensed insurer and other participants of the self-funded pool is renewable in September 2019, and the terms of coverage and contributions and premium costs are included in the contractual provisions. Under the Worker's Compensation Plan, the District's estimated aggregate liability is \$268,742 for fiscal year 2018-19 of which \$56,303 has been paid. The District's estimated outstanding loss and aggregate liability at August 31, 2019 was \$201,764 and is reflected with accounts payable in the District's governmental funds balance sheet.

16. TAX ABATEMENTS

On December 17, 2018, the District's Board approved an agreement with East Blackland Solar Project 1 LLC ("East Blackland Solar") for a Limitation On Appraised Value of Property for School District Maintenance and Operations pursuant to Chapter 313 of the Texas Tax Code, i.e. the Texas Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. East Blackland Solar qualified for a tax limitation agreement under Texas Tax Code Section 313.024(b)(5), as a renewable energy electric generation project.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for maintenance and operations for a period of years specified in statute. The projects under the Chapter 313 agreement must be consistent with the State of Texas' goal to encourage large scale capital investments in the state. Chapter 313 of the Texas Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant, including East Blackland Solar, has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board and the Texas Comptroller's Office, which recommended approval of the project.

After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that East Blackland Solar terminates the agreement without the consent of the District, or in the event that East Blackland Solar or its successor-in-interest fails to comply in any material respect with the terms of the agreement or to meet any material obligation under this agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Section 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Section 33.01(c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

As of August 31, 2019 there have been no value limitations on the taxable value of the property as the value limitation period is expected to begin on the project during the 2020 tax year (2020-2021 school year). During the value limitation period, the appraised value used for the District's maintenance and operations tax levy will not exceed \$20 million.

17. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Uniform Guidance through August 31, 2019, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

At August 31, 2019, the District was obligated under operating leases for certain office equipment. Rent expenditures incurred under operating leases for the year ended August 31, 2019 were \$6,843. Future minimum lease payments on these operating leases is as follows:

2020	\$	6,473
2021		4,624
2022		3,468
Total	\$	<u>14,565</u>

At August 31, 2019, the District is also committed under construction contracts with a remaining balance of \$1,323,085.

18. SHARED SERVICES ARRANGEMENTS

The District participates in a Shared Services Arrangement which provides speech therapists for special education to member districts, including Hays Consolidated ISD, Bastrop ISD, La Grange ISD, Smithville ISD, the City of Bastrop, the City of Smithville, Bastrop County and Region XIII Education Service Center. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent.

**REQUIRED
SUPPLEMENTARY INFORMATION**

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teacher Retirement System of Texas
8/31/2019**

	2018*	2017*	2016*	2015*	2014*	2013*
District's proportion of the net pension liability	0.0280%	0.0288%	0.0256%	0.0258%	0.0164%	0.0164%
District's proportionate share of the net pension liability \$	15,422,514	9,198,367	9,684,542	9,127,203	4,377,302	5,374,968
State's proportionate share of the net pension liability associated with the District	20,804,609	12,605,874	15,052,449	13,887,393	11,787,479	14,469,625
Total	\$ 36,227,123	21,804,241	24,736,991	23,014,596	16,164,781	19,844,593
District's covered payroll (for Measurement Year)	\$ 27,729,952	27,678,861	25,591,885	23,761,108	22,326,922	21,154,912
District's proportionate share of the net pension liability as a percentage of its covered payroll	55.62%	33.23%	37.84%	38.41%	19.61%	25.41%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered payroll	126.11%	75.93%	92.75%	91.94%	72.90%	93.10%

* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2013.

** Schedule should provide ten years of Plan information, but data was unavailable prior to 2013.

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of District Contributions - Pensions
Teacher Retirement System of Texas
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contributions	\$ 980,350	\$ 946,437	\$ 942,838	\$ 814,257	\$ 764,556
Contributions in relation to the contractual required contributions	980,350	946,437	942,838	814,257	764,556
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 28,753,440	\$ 27,729,952	\$ 27,678,861	\$ 25,591,885	23,761,108
Contributions as a percentage of covered payroll	3.41%	3.41%	3.41%	3.18%	3.22%
	2014	2013	2012	2011	2010
Contractually required contributions	\$ 426,572	\$ 488,370	\$ 274,011	\$ 331,234	\$ 304,601
Contributions in relation to the contractual required contributions	426,572	488,370	274,011	331,234	304,601
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	22,326,922	21,154,912	20,034,111	\$ 20,529,357	20,230,568
Contributions as a percentage of covered payroll	1.91%	2.31%	1.37%	1.61%	1.51%

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
Teacher Retirement System of Texas
8/31/2019**

	2018*	2017*
District's proportion of the net OPEB liability	0.0359%	0.0364%
District's proportionate share of the net OPEB liability	\$ 17,947,152	\$ 15,829,161
State's proportionate share of the net OPEB liability associated with the District	22,664,976	20,614,642
Total	\$ 40,612,128	\$ 36,443,803
District's covered payroll (for Measurement Year)	\$ 27,729,952	\$ 27,678,861
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	64.72%	57.19%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll	146.64%	132.55%

* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2017.

** Schedule should provide ten years of Plan information, but data was unavailable prior to 2017.

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of District Contributions - OPEB
Teacher Retirement System of Texas
Last 10 Fiscal Years*

	2019	2018	2017
Contractually required contributions	\$ 257,557	\$ 241,095	\$ 182,234
Contributions in relation to the contractual required contributions	<u>257,557</u>	<u>241,095</u>	<u>182,234</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 28,753,440	\$ 27,729,952	\$ 27,678,861
Contributions as a percentage of covered payroll	0.90%	0.87%	0.66%

*Note: No information was available for fiscal years prior to August 31, 2017.

ELGIN INDEPENDENT SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED AUGUST 31, 2019

1. CHANGE IN ASSUMPTIONS

Pensions

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

OPEB

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section B. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS**

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
August 31, 2019

	Education for Homeless Children and Youth	Title I Grants to Local Educational Agencies	Migrant Education State Grant Program	Special Education Grants to States	Special Education Preschool Grants	Special Education Grants to States Disc. and High Cost	National School Breakfast and Lunch Program	Summer Food Service Program for Children
Assets:								
Cash and temporary investments	\$ -	-	-	-	-	-	1,590,106	157,294
Receivables:								
Due from other governments	558	86,201	9,160	74,598	-	-	140,684	-
Other receivables	-	-	-	-	-	-	2,471	-
Inventory	-	-	-	-	-	-	17,782	-
Total assets	<u>\$ 558</u>	<u>86,201</u>	<u>9,160</u>	<u>74,598</u>	<u>-</u>	<u>-</u>	<u>1,751,043</u>	<u>157,294</u>
Liabilities and fund balances:								
Liabilities:								
Accounts payable	\$ 528	1,342	-	13,318	-	-	61,115	-
Accrued wages payable	-	15,216	-	44,248	-	-	57,298	-
Due to other funds	30	69,643	9,160	17,032	-	-	-	-
Due to other governments	-	-	-	-	-	-	4,835	-
Unearned revenue	-	-	-	-	-	-	21,697	-
Total liabilities	<u>558</u>	<u>86,201</u>	<u>9,160</u>	<u>74,598</u>	<u>-</u>	<u>-</u>	<u>144,945</u>	<u>-</u>
Fund balances:								
Restricted	-	-	-	-	-	-	1,606,098	157,294
Assigned	-	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,606,098</u>	<u>157,294</u>
Total liabilities and fund balances	<u>\$ 558</u>	<u>86,201</u>	<u>9,160</u>	<u>74,598</u>	<u>-</u>	<u>-</u>	<u>1,751,043</u>	<u>157,294</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2019

	Career and Technical Education Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	21st Century Community Learning Centers	Medical Assistance Program	Elementary and Secondary School Counseling Programs
Assets:						
Cash and temporary investments	\$ -	-	-	-	26,893	-
Receivables:						
Due from other governments	8,503	3,900	15,138	47,243	-	197
Other receivables	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Total assets	<u>\$ 8,503</u>	<u>3,900</u>	<u>15,138</u>	<u>47,243</u>	<u>26,893</u>	<u>197</u>
Liabilities and fund balances:						
Liabilities:						
Accounts payable	\$ -	200	-	9,979	-	197
Accrued wages payable	-	-	-	17,877	-	-
Due to other funds	8,503	3,700	15,138	19,387	-	-
Due to other governments	-	-	-	-	-	-
Unearned revenue	-	-	-	-	26,893	-
Total liabilities	<u>8,503</u>	<u>3,900</u>	<u>15,138</u>	<u>47,243</u>	<u>26,893</u>	<u>197</u>
Fund balances:						
Restricted	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 8,503</u>	<u>3,900</u>	<u>15,138</u>	<u>47,243</u>	<u>26,893</u>	<u>197</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2019

	Grants for State Assessments and Related Activities	Student Support and Academic Enrichment Program	WIOA Adult Program	State Supplemental Visually Impaired	Instructional Materials Allotment	State Funded Special Revenue	Campus Activity
Assets:							
Cash and temporary investments	\$ -	-	-	-	19,942	-	245,106
Receivables:							
Due from other governments	-	9	45,464	2,798	-	35,396	-
Other receivables	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>9</u>	<u>45,464</u>	<u>2,798</u>	<u>19,942</u>	<u>35,396</u>	<u>245,106</u>
Liabilities and fund balances:							
Liabilities:							
Accounts payable	\$ -	-	44,864	-	-	26,908	4,325
Accrued wages payable	-	-	-	-	-	-	-
Due to other funds	-	9	600	2,798	-	8,488	-
Due to other governments	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	19,942	-	-
Total liabilities	<u>-</u>	<u>9</u>	<u>45,464</u>	<u>2,798</u>	<u>19,942</u>	<u>35,396</u>	<u>4,325</u>
Fund balances:							
Restricted	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	240,781
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,781</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>9</u>	<u>45,464</u>	<u>2,798</u>	<u>19,942</u>	<u>35,396</u>	<u>245,106</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2019

	San Marcos Civic Foundation Grant	Bastrop County Cares	Michael and Susan Dell Foundation	Texas Methodist Foundation	Elgin Education Foundation	Total Special Revenue Funds
Assets:						
Cash and temporary investments	\$ -	1,900	19,928	17,712	1,674	2,080,555
Receivables:						
Due from other governments	-	-	-	-	-	469,849
Other receivables	-	-	-	-	-	2,471
Inventory	-	-	-	-	-	17,782
Total assets	<u>\$ -</u>	<u>1,900</u>	<u>19,928</u>	<u>17,712</u>	<u>1,674</u>	<u>2,570,657</u>
Liabilities and fund balances:						
Liabilities:						
Accounts payable	\$ -	-	11,222	1,025	1,674	176,697
Accrued wages payable	-	-	-	-	-	134,639
Due to other funds	-	-	-	-	-	154,488
Due to other governments	-	-	-	-	-	4,835
Unearned revenue	-	1,900	8,706	16,687	-	95,825
Total liabilities	<u>-</u>	<u>1,900</u>	<u>19,928</u>	<u>17,712</u>	<u>1,674</u>	<u>566,484</u>
Fund balances:						
Restricted	-	-	-	-	-	1,763,392
Assigned	-	-	-	-	-	240,781
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,004,173</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>1,900</u>	<u>19,928</u>	<u>17,712</u>	<u>1,674</u>	<u>2,570,657</u>

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended August 31, 2019

	Education for Homeless Children and Youth	Title I Grants to Local Educational Agencies	Migrant Education State Grant Program	Special Education Grants to States	Special Education Preschool Grants	Special Education Grants to States Disc. and High Cost	National School Breakfast and Lunch Program	Summer Food Service Program for Children
Revenues:								
Local and intermediate sources	\$ -	-	-	-	-	-	420,338	842
State program revenues	-	-	-	-	-	-	27,755	-
Federal program revenues	18,334	925,466	172,913	805,581	815	60,948	2,721,539	68,453
Total revenues	<u>18,334</u>	<u>925,466</u>	<u>172,913</u>	<u>805,581</u>	<u>815</u>	<u>60,948</u>	<u>3,169,632</u>	<u>69,295</u>
Expenditures:								
Current:								
Instruction	17,075	626,737	124,779	563,195	331	60,948	-	-
Instructional resources and media services	-	-	-	-	-	-	-	-
Curriculum and staff development	-	204,881	1,300	9,650	-	-	-	-
Instructional leadership	-	82,606	46,834	132,381	-	-	-	-
School leadership	-	300	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	100,055	484	-	-	-
Social work services	1,259	4,166	-	300	-	-	-	-
Health services	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-
Food services	-	-	-	-	-	-	3,017,895	64,863
Extracurricular activities	-	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	43,006	-
Community services	-	6,776	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Total expenditures	<u>18,334</u>	<u>925,466</u>	<u>172,913</u>	<u>805,581</u>	<u>815</u>	<u>60,948</u>	<u>3,060,901</u>	<u>64,863</u>
Excess of revenues over expenditures	-	-	-	-	-	-	108,731	4,432
Fund balances - beginning	-	-	-	-	-	-	1,497,367	152,862
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,606,098</u>	<u>157,294</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended August 31, 2019

	Career and Technical Education Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	21st Century Community Learning Centers	Medical Assistance Program	Elementary and Secondary School Counseling Programs
Revenues:						
Local and intermediate sources	\$ -	-	-	-	-	-
State program revenues	-	-	-	-	-	-
Federal program revenues	55,916	85,711	107,157	1,075,102	-	88,050
Total revenues	<u>55,916</u>	<u>85,711</u>	<u>107,157</u>	<u>1,075,102</u>	<u>-</u>	<u>88,050</u>
Expenditures:						
Current:						
Instruction	53,416	29,235	44,247	640,062	-	-
Instructional resources and media services	-	-	-	-	-	-
Curriculum and staff development	2,500	52,815	62,910	-	-	-
Instructional leadership	-	-	-	134,028	-	21,486
School leadership	-	3,661	-	181,152	-	-
Guidance, counseling and evaluation services	-	-	-	-	-	66,564
Social work services	-	-	-	-	-	-
Health services	-	-	-	3,668	-	-
Student transportation	-	-	-	65,949	-	-
Food services	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-
General administration	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-
Community services	-	-	-	50,243	-	-
Facilities acquisition and construction	-	-	-	-	-	-
Total expenditures	<u>55,916</u>	<u>85,711</u>	<u>107,157</u>	<u>1,075,102</u>	<u>-</u>	<u>88,050</u>
Excess of revenues over expenditures	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended August 31, 2019

	Grants for State Assessments and Related Activities	Student Support and Academic Enrichment Program	WIOA Adult Program	State Supplemental Visually Impaired	Instructional Materials Allotment	State Funded Special Revenue	Campus Activity
Revenues:							
Local and intermediate sources	\$ -	-	-	-	-	-	284,253
State program revenues	-	-	-	2,798	571,877	106,763	-
Federal program revenues	5,007	53,992	72,797	-	-	-	-
Total revenues	<u>5,007</u>	<u>53,992</u>	<u>72,797</u>	<u>2,798</u>	<u>571,877</u>	<u>106,763</u>	<u>284,253</u>
Expenditures:							
Current:							
Instruction	5,007	22,801	70,552	2,798	566,302	-	-
Instructional resources and media services	-	-	-	-	-	-	-
Curriculum and staff development	-	-	2,245	-	5,575	13,074	-
Instructional leadership	-	-	-	-	-	-	-
School leadership	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	-	-	-	-
Social work services	-	31,191	-	-	-	-	-
Health services	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-
Food services	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	256,086
General administration	-	-	-	-	-	89	-
Facilities maintenance and operations	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	93,600	-
Total expenditures	<u>5,007</u>	<u>53,992</u>	<u>72,797</u>	<u>2,798</u>	<u>571,877</u>	<u>106,763</u>	<u>256,086</u>
Excess of revenues over expenditures	-	-	-	-	-	-	28,167
Fund balances - beginning	-	-	-	-	-	-	212,614
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,781</u>

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended August 31, 2019

	San Marcos Civic Foundation Grant	Bastrop County Cares	Michael and Susan Dell Foundation	Texas Methodist Foundation	Elgin Education Foundation	Total Special Revenue Funds
Revenues:						
Local and intermediate sources	\$ 5,750	100	248,917	72,137	34,176	1,066,513
State program revenues	-	-	-	-	-	709,193
Federal program revenues	-	-	-	-	-	6,317,781
Total revenues	<u>5,750</u>	<u>100</u>	<u>248,917</u>	<u>72,137</u>	<u>34,176</u>	<u>8,093,487</u>
Expenditures:						
Current:						
Instruction	-	-	-	4,216	28,198	2,859,899
Instructional resources and media services	-	-	-	-	5,978	5,978
Curriculum and staff development	5,750	-	161,001	-	-	521,701
Instructional leadership	-	-	-	-	-	417,335
School leadership	-	-	87,916	520	-	273,549
Guidance, counseling and evaluation services	-	-	-	67,401	-	234,504
Social work services	-	100	-	-	-	37,016
Health services	-	-	-	-	-	3,668
Student transportation	-	-	-	-	-	65,949
Food services	-	-	-	-	-	3,082,758
Extracurricular activities	-	-	-	-	-	256,086
General administration	-	-	-	-	-	89
Facilities maintenance and operations	-	-	-	-	-	43,006
Community services	-	-	-	-	-	57,019
Facilities acquisition and construction	-	-	-	-	-	93,600
Total expenditures	<u>5,750</u>	<u>100</u>	<u>248,917</u>	<u>72,137</u>	<u>34,176</u>	<u>7,952,157</u>
Excess of revenues over expenditures	-	-	-	-	-	141,330
Fund balances - beginning	-	-	-	-	-	1,862,843
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,004,173</u>

ELGIN INDEPENDENT SCHOOL DISTRICT
Major Governmental Fund - Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 4,942,574	4,942,574	5,001,658	59,084
State program revenues	1,249,676	1,249,676	1,079,655	(170,021)
Total revenues	<u>6,192,250</u>	<u>6,192,250</u>	<u>6,081,313</u>	<u>(110,937)</u>
EXPENDITURES-				
Debt service	<u>6,279,650</u>	<u>6,279,650</u>	<u>6,276,850</u>	<u>2,800</u>
Total expenditures	<u>6,279,650</u>	<u>6,279,650</u>	<u>6,276,850</u>	<u>2,800</u>
Deficiency of revenues under expenditures	<u>(87,400)</u>	<u>(87,400)</u>	<u>(195,537)</u>	<u>(108,137)</u>
Net change in fund balance	(87,400)	(87,400)	(195,537)	(108,137)
Fund balance - beginning	<u>660,495</u>	<u>660,495</u>	<u>660,495</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 573,095</u></u>	<u><u>573,095</u></u>	<u><u>464,958</u></u>	<u><u>(108,137)</u></u>

ELGIN INDEPENDENT SCHOOL DISTRICT
Nonmajor Special Revenue Fund - Food Service
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 406,500	406,500	420,338	13,838
State program revenues	27,500	27,500	27,755	255
Federal program revenues	2,737,359	2,737,359	2,721,539	(15,820)
Total revenues	<u>3,171,359</u>	<u>3,171,359</u>	<u>3,169,632</u>	<u>(1,727)</u>
EXPENDITURES:				
Current:				
Food services	3,104,354	3,871,619	3,017,895	853,724
Facilities maintenance and operations	55,000	84,732	43,006	41,726
Total expenditures	<u>3,159,354</u>	<u>3,956,351</u>	<u>3,060,901</u>	<u>895,450</u>
Excess (Deficiency) of revenues over (under) expenditures	12,005	(784,992)	108,731	893,723
OTHER FINANCING SOURCES-				
Proceeds on sale of real property	3,000	-	-	-
Net change in fund balances	15,005	(784,992)	108,731	893,723
Fund balance - beginning	<u>1,497,367</u>	<u>1,497,367</u>	<u>1,497,367</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,512,372</u>	<u>712,375</u>	<u>1,606,098</u>	<u>893,723</u>

OTHER SCHEDULES

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended August 31, 2019

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 8/31/2018	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 8/31/2019
	Maintenance	Debt Service							
2010 & Prior	Various	Various	\$ Various	\$ 153,735	-	7,318	3,055	(13,384)	129,978
2011	1.04	0.50	858,363,312	43,820	-	2,566	1,234	-	40,020
2012	1.04	0.50	834,387,200	40,482	-	2,694	1,295	-	36,493
2013	1.17	0.37	873,949,606	50,109	-	4,233	1,339	-	44,537
2014	1.17	0.37	883,145,467	52,133	-	6,683	2,113	417	43,754
2015	1.17	0.37	943,149,397	69,827	-	18,152	5,740	452	46,387
2016	1.17	0.37	1,013,763,136	114,577	-	37,800	11,954	531	65,354
2017	1.17	0.37	1,055,525,950	238,397	-	87,806	27,768	(11,792)	111,031
2018	1.17	0.37	1,265,886,875	574,462	-	217,006	68,626	(26,856)	261,974
2019	1.17	0.37	1,400,853,381	-	20,357,848	14,993,983	4,730,979	27,232	660,118
Totals				\$ 1,337,542	20,357,848	15,378,241	4,854,103	(23,400)	1,439,646

ELGIN INDEPENDENT SCHOOL DISTRICT
EXHIBIT L-1 - SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 2019

Data Control Codes	Description	Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 1,564,745
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 15,422,514
SF13	Pension Expense (6147) at fiscal year-end.	\$ -
SF14	Net OPEB Liabilities (2545) at fiscal year-end.	\$ 17,947,152

FEDERAL AWARDS SECTION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Trustees of
Elgin Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin Independent School District (the "District"), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maxwell Locke + Ritter LLP

Austin, Texas
December 12, 2019



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Trustees of
Elgin Independent School District:

Report on Compliance for Each Major Federal Program

We have audited Elgin Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Affiliated Company

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maxwell Locke & Ritter LLP

Austin, Texas
December 12, 2019

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Fund for the Improvement of Education Cluster			
Direct Funding-			
Elementary and Secondary School Counseling Programs	84.215E	S215E150093-16	\$ 87,853
Passed Through Texas Education Agency:			
Education for Homeless Children and Youth	84.196	19460005711026	18,963
Title I Grants to Local Educational Agencies	84.010A	18610101011902	5,359
Title I Grants to Local Educational Agencies	84.010A	19610101011902	884,408
Title I Grants to Local Educational Agencies	84.010A	20610101011902	66,589
Total CFDA Number 84.010A			956,356
Migrant Education State Grant Program	84.011A	18615001011902	1,827
Migrant Education State Grant Program	84.011A	19615001011902	169,554
Migrant Education State Grant Program	84.011A	20615001011902	9,160
Total CFDA Number 84.011A			180,541
Special Education Cluster			
Special Education Grants to States	84.027A	186600010119026000	198,742
Special Education Grants to States	84.027A	196600010119026000	545,737
Special Education Grants to States	84.027A	206600010119026000	61,102
Special Education Grants to States	84.027A	66001806	60,948
Total CFDA Number 84.027A			866,529
Special Education Preschool Grants	84.173A	186610010119026000	815
Total Special Education Cluster			867,344
Career and Technical Education - Basic Grants to States	84.048A	184200557110013	2,409
Career and Technical Education - Basic Grants to States	84.048A	19420006011902	53,507
Total CFDA Number 84.048A			55,916
Twenty-First Century Community Learning Centers	84.287	186950247110011	836
Twenty-First Century Community Learning Centers	84.287	196950247110010	1,063,454
Twenty-First Century Community Learning Centers	84.287	206950247110010	37,590
Total CFDA Number 84.287			1,101,880
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367A	18694501011902	3,062
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367A	19694501011902	86,822
Total CFDA Number 84.367A			89,884
English Language Acquisition State Grants	84.365A	19671001011902	92,708
English Language Acquisition State Grants	84.365A	20671001011902	14,449
Total CFDA Number 84.365A			107,157
Grants for State Assessments and Related Activities	84.369A	69551702	5,007
Student Support and Academic Enrichment Program	84.424A	18680101011902	173
Student Support and Academic Enrichment Program	84.424A	19680101011902	55,268
Total CFDA Number 84.424A			55,441
Total Passed Through Texas Education Agency			3,438,489
TOTAL DEPARTMENT OF EDUCATION			3,526,342
U.S. DEPARTMENT OF AGRICULTURE			
Direct Funding-			
Farm to School Grant Program	10.575	CN-F25-PLN-15-TX-05	197
Child Nutrition Cluster			
Passed Through Texas Education Agency:			
National School Lunch Program	10.555	71301801	187,329
National School Lunch Program	10.555	71301901	1,491,746
School Breakfast Program	10.553	71401801	92,445
School Breakfast Program	10.553	71401901	752,648
Total CFDA Number 10.553			845,093
Total Passed Through Texas Education Agency			2,524,168
Passed Through Texas Department of Agriculture:			
Summer Food Service Program for Children	10.559		68,453
Total Passed Through Texas Department of Agriculture			68,453
Passed Through the Texas Department of Human Services:			
Non-cash assistance - Food Distribution Program	10.555		197,371
Total Passed Through Texas Department of Human Services			197,371
Total CFDA Number 10.555			1,876,446
Total Child Nutrition Cluster			2,789,992
TOTAL DEPARTMENT OF AGRICULTURE			2,790,189
U.S. DEPARTMENT OF LABOR			
Passed Through Texas Education Agency:			
WIOA Adult Program	17.258	183925027110007	72,797
TOTAL DEPARTMENT OF LABOR			72,797
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,389,328

ELGIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED AUGUST 31, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Elgin Independent School District (the "District") under programs of the federal government for the year ended August 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The expenditures reported on the Schedule are reported using the modified accrual basis of accounting, with the exception of the National School Lunch Program, the School Breakfast Program, the Summer Feeding Program for Children, and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, the School Breakfast Program, the Summer Feeding Program for Children, and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the Schedule in an amount equal to revenue for balancing purposes only. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

The District has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Relationship to Basic Financial Statements

Expenditures of federal awards are reported in the District's basic financial statements in the General Fund and special revenue funds.

Relationship to Federal Financial Reports

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports in all significant respects.

Valuation of Non-cash Programs

The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

ELGIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted?

yes no

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major federal programs:

Child Nutrition Cluster

Unmodified

Special Education Cluster

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Noncash Food Distribution Program
10.559	Summer Food Service Program for Children
	Special Education Cluster:
84.027A	Special Education Grants to States
84.173A	Special Education Preschool Grants

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

ELGIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2019 and 2018.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the years ended August 31, 2019 and 2018.